

Message Text

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ACTION AF-06

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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 1271

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AMCONSULATE LUBUMBASHI

CONFIDENTIAL KINSHASA 1211

E.O. 11652: N/A

TAGS: BEXP, CG

SUBJECT: GECAMINES: WHERE ARE THE GOLDEN EGGS?

REF: LUBUMBASHI A-6 OF JANUARY 17, 1975

1. LUBUMBASHI'S EXCELLENT REPORTING ON CURRENT PROFITABILITY OF GECAMINES SHOWS THAT AT CURRENT COPPER PRICES THE COMPANY IS OPERATING IN THE RED. UNLESS COPPER PRICES RISE DRAMATICALLY, THEREFORE, GECAMINES WILL BE EATING UP PAST PROFITS RESERVES OR GOZ WILL HAVE TO REDUCE TAXES, WHICH WILL INCREASE THE CURRENT BUDGET DEFICIT.

2. AT SAME TIME, GECAMINES EXPANSION PROGRAM COUNTS ON 52 PERCENT OF COSTS BEING FINANCED BY GECAMINES PROFITS. NO PROFITS FORESEEN IN NEAR TERM PER ABOVE, AND WE WONDER IF GECAMINES HAS BEEN ABLE TO CONSERVE ITS 1973-EARLY 1974 PROFITS AS FOREIGN EXCHANGE, OR WHETHER THESE RESERVES ARE, IN FACT, ONLY IN ZAIRES DUE TO RUN-DOWN OF FX HOLDINGS BY GOZ OVER PAST YEAR.

3. WE WILL PURSUE THIS LATTER QUESTION

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HERE, BUT IT WOULD BE HELPFUL, AND IMPORTANT, IF

ADDRESSEES COULD ALSO INQUIRE DISCREETLY IF GECAMINES' GOLDEN EGGS HAVE BEEN USED UP IN GOZ OMELETTE--OR WHETHER A SEPARATE FOREIGN EXCHANGE ACCOUNT HAS BEEN MAINTAINED AND PRESERVED FOR GECAMINE EXPANSION PROGRAM, EITHER AT CENTRAL BANK OR IN ACCOUNT HELD ABROAD.

HINTON

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